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APRIL  
1958

# FOREIGN AGRICULTURE



Dock workers unload U.S. tobacco, Bremen, Germany.

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For  
2

# FOREIGN

## AGRICULTURE

VOL. XXII . . No. 4 . . APRIL 1958

To report and interpret world agricultural developments.



### Among Our Stories . . .

The first story in this issue concerns the Common Market, now being created by six European countries. We are reminded of a time in our own history when 13 colonies banded together, removed trade barriers between themselves, and set in motion the great "common market" that today we enjoy here in the United States. There were problems of adjustment then, just as there will be problems among the Six in Europe, but the net result speaks for itself.

Our story on page 13, "Pepper in the Americas," reminded us somehow that this is the month when we try to pause a moment to observe the birthdate—April 14—of the Organization of American States. The United States and our 20 neighboring countries to the south have a 68-year history of working toward mutually helpful political and trade relations.

One more story especially caught our eye. On page 14, it has the rather ponderous title of "New Statistical Light on the World's Farm Production." It pulls together some data that materially help to fill out the big picture of world production, trade, and consumption of farm products.

### Cover Photograph

U.S. burley swings onto wharf in Bremen, West Germany is second largest U.S. tobacco market and a growing one. In recent years, leaf usings have increased about 9 million pounds annually, with U.S. leaf accounting for a third. (Photograph by Phil S. Eckert.)

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Foreign Agriculture is published monthly by the Foreign Agricultural Service, United States Department of Agriculture, Washington 25, D. C. Use of funds for printing this publication has been approved by the Director of the Bureau of the Budget (October 11, 1956). Yearly subscription rate is \$1.50, domestic, \$2.00, foreign; single copies are 15 cents. Orders should be sent to Superintendent of Documents, Government Printing Office, Washington 25, D. C.



## THE COMMON MARKET COUNTRIES

160 million people live here:

they sold \$20,181 million worth of goods to the rest of the world and bought \$22,466 million worth in 1956

U.S. farmers sold them \$1,251 million worth of farm products in fiscal 1956

# The Common Market And American Agriculture

By A. R. DeFELICE and OSCAR ZAGLITS  
Agricultural Trade Policy and Analysis  
Foreign Agricultural Service

SIX EUROPEAN COUNTRIES that absorbed \$1,251 million worth of U.S. agricultural exports in the last fiscal year have committed themselves to a Common Market as part of a "European Economic Community." These six countries are West Germany, France, Italy, the Netherlands, Belgium, and Luxembourg. They expect that merging their economies will enable them to expand production and international trade and to raise income and living standards.

In the years just after the war, exports of U.S. farm products to these countries depended largely on aid financing. But in recent years the countries have bought more and more U.S. farm products with earned dollars. In

1956-57 they accounted for over one-fourth of our total farm exports and for almost one-third of our commercial exports of food, fibers, and tobacco.

The treaty establishing the Common Market went into force on January 1, 1958. Under it, in the next 12 to 15

U.S. AGRICULTURAL EXPORTS  
TO COMMON MARKET COUNTRIES,  
1956-57

Destination	Amount Mil. dol.	Percent of total	
		Percent	Percent
Germany .....	447.3	9.5	
France .....	142.5	3.0	
Italy .....	231.5	4.9	
Netherlands .....	259.2	5.5	
Belgium .....	170.2	3.6	
Luxembourg .....			
Total .....	1,250.7	26.5	

years, the six countries will gradually form a customs union. Step by step they will reduce their tariffs on trade among themselves and finally abolish them.<sup>1</sup> Against third countries, they will set up a common tariff. They will progressively relax and ultimately do away with the quantitative restrictions on their intra-area trade, even though they might keep some restrictions on trade with third countries.

These provisions are important to U.S. agriculture. Important too is the fact that the "Six" will work toward a common agricultural policy and a common organization of their agricultural markets.

<sup>1</sup> They will do the same also for the products of their overseas territories.

Among the goals set for the common agricultural policy are these: Increased farm productivity, more rational production patterns, best use of farm labor, fair farm incomes, stable markets, and reasonable consumer prices.

The common organization of agricultural markets is to take one of three forms: (1) Common rules on competition, (2) coordination of national marketing organizations, or (3) common marketing organizations. Probably different organizations will be chosen for the various groups of commodities.

Meanwhile, until these common agricultural policies and organizations have been worked out, member countries may set minimum prices for some farm products. The aim is to ease the impact of the intra-area tariff reductions and trade liberalization on domestic agriculture. At the same time, the Six will work toward expanding intra-area trade through long-term contracts. The goal is to make sure that farmers in member countries with exportable surpluses have access to the markets in member countries with import needs, on the same terms as the local farmers.

Clearly, the Common Market will have marked effects on the foreign trade of the United States and other third countries. However, since its establishment will be gradual, these effects will be gradual also.

The overall effect on world trade is likely to be beneficial. Productive capacity and income in the Six will rise as they merge their national markets into one market of 160 million people (nearly as many as in the United States). Hence their total imports will tend to increase, but the composition of these imports will change considerably. Import demand will increase for some farm products and decrease for others.

No one can say at this time what the changes will be, commodity by commodity. Not only is it hard to assess in advance the economic changes that may result from the shift of six countries toward market unification; but added uncertainty comes from the fact that the treaty gives much discretion to the new Common Market institutions. This discretion is very great in agriculture, just as the degree of

government intervention is very great there. Hence, the effect of the Common Market on international commodity trade will largely depend on the decisions that these new institutions will make in the next 15 years.

Thus, of great importance to third countries is the affirmation in the Common Market Treaty that the new obligations of the Six will not affect those they already have under previous agreements, such as the General Agreement on Tariffs and Trade (GATT).

At a recent meeting, the Contracting Parties to GATT (which number 37, including the United States and the Six), held broad-range consultations on the relationship between the Common Market Treaty and the General Agreement. During these consultations, the Six repeated their intention to honor their GATT obligations and to cooperate with the other contracting parties to GATT in resolving any conflict between those obligations and actions under the Treaty.

Of special significance to U.S. agriculture are the following points brought out in the consultations:

1. The General Agreement requires that if countries form a customs union, as the Six intend to do, they must remove practically all import duties, quotas, and other barriers to trade between themselves; and the general incidence of their new common tariff must on the whole be no higher than the incidence of their former individual country tariffs.

2. On "concession" items (tariff rates that any of the Six had reduced or bound under the General Agreement), the Six will have to negotiate with the United States and other parties to GATT if the rate of the common tariff proves higher than the concession rate. (In these negotiations, the Six will have to make new concessions to compensate for withdrawals of concessions.)

3. The Six may relax quantitative restrictions on intra-area trade faster than they do those on third-country trade, but they remain committed to relax their third-country restrictions as fast as financial conditions will permit. (Consultations will be held as specific problems come up.)

4. If members of the Common Market should apply the minimum price

provisions of the Treaty in a way affecting imports from third countries, they intend to honor their GATT obligations. If they should feel they must deviate from a GATT obligation, they will seek a release, perhaps a waiver, such as the United States obtained regarding import restrictions under section 22 of the Agricultural Adjustment Act.

5. Similarly, in any long-term contracts they conclude with each other, the Six will consider third-country interests. (Here we should note that the Treaty itself obligates the Six to give due consideration, in negotiating such contracts, to "traditional trade currents.")

6. In developing a common agricultural policy and a "common organization" of the agricultural markets, as provided for in the Treaty, the Six will look for solutions within the GATT framework.

Thus, we may conclude that in the years to come, discussions and negotiations between the Six, the United States, and other parties to GATT may have major significance in maintaining and expanding agricultural exports to the countries of the Common Market.

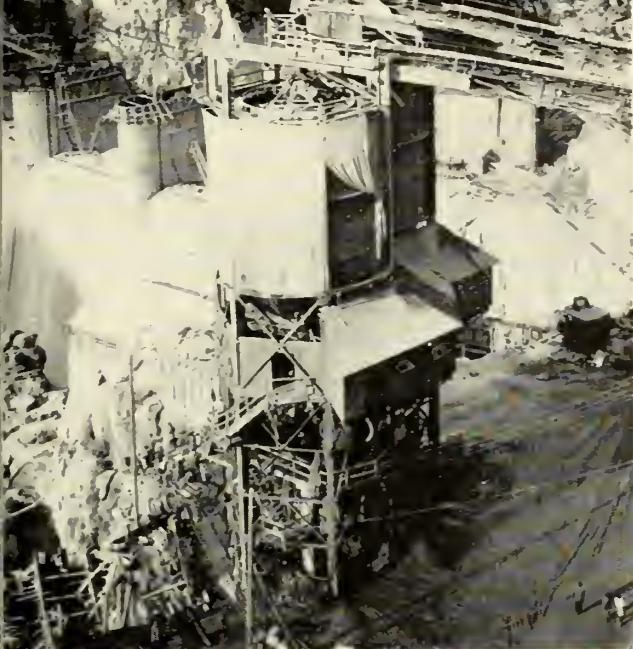
Though many specific problems of trade policy will arise, let us not overlook several factors that are likely to facilitate U.S. agricultural exports to the Common Market. Among them will be these:

1. The high quality of our agricultural export products (for example, the quality advantages of the hard wheats the United States is exporting to the Six).

2. The fact that living standards can be expected to rise in the Common Market, and that our foreign markets have always grown most in areas where living standards were rising.

3. Labor demands resulting from industrialization will pull people from small farms, thus making European agriculture more efficient and less dependent on protection.

4. The fact that the industrial export potential of the Six will increase under the impulse of this planned unification. This in turn should result in a more balanced world dollar situation, and in more dollars being available abroad for the purchase of U.S. farm products.



Photos by Herbert K. Ferguson

# Portugal's Problem: Self-Sufficiency Or Integration

By HERBERT K. FERGUSON  
U. S. Agricultural Attaché, Lisbon

POSTWAR MOVES toward economic integration in Western Europe are causing Portugal to probe into its long-established policy of self-sufficiency. Should this policy continue unchanged, or should it be modified in the direction of closer integration with the economies of neighboring European countries? This is the question that has been recently brought to a head for Portugal and other European nations by the establishment of the Common Market and proposals for the Free Trade Area, now under negotiation.

Small though Portugal is—it corresponds to the State of Indiana—its importance is magnified by the provinces of Angola and Mozambique. These African provinces have an area some twenty-two times greater than that of Metropolitan Portugal, and their agri-

cultural and mineral potential is only beginning to be realized. Even now coffee exports from Angola are such that they contribute heavily to maintaining Portugal's favorable balance of trade with the rest of the world.

For economic as well as for social and political reasons, Portugal holds the overseas provinces in high regard. The national government maintains that its provinces should progress along rational, soundly conceived plans for economic and social development. Implicit is the belief that close ties between the overseas provinces and Portugal will be of mutual benefit to the welfare of both.

All Portuguese policies point in this direction. Agricultural policy, in par-



Above left, new dam; Portugal needs both power and irrigation. Above right, Don Quixote's windmills still grind a third of the flour. Above, women do much of the farm work.

ticular, has been strongly influenced by consideration of the African provinces. For Portugal, the traditional goal of agricultural self-sufficiency has been broadened to include the concept of self-sufficiency within the escudo (Portuguese monetary unit) system. The government for many years has prohibited the growing of cotton, thus assuring a home market for Mozambique and Angolan cotton. The raising of tobacco in Portugal has been prohibited for the same reason. Contracts recently signed with the government by tobacco manufacturers specified that within 5 years 20 percent of all leaf used must come from the provinces—at the present time, only 7 percent is African grown.

Conversely, the provinces are looked upon as expanding markets for a great variety of Portuguese-produced consumer goods, light manufactures, and processed foods. And to further trade in both directions it is planned to remove all import duties between Portugal and the provinces, thus forming an escudo customs union.

### Industrial Expansion

Portugal also initiated development plans some years ago for both the metropolitan area and the provinces. The first 6-year development plan, 1953-58, for Metropolitan Portugal emphasized industrial planning, as shown below:

Expenditures as of Aug. 31, 1957	
	Mil. escudos
<b>Agriculture:</b>	
Irrigation .....	53
Reforestation .....	34
Internal colonization .....	2
	<hr/>
	89
<b>Industry:</b>	
Electricity .....	468
Steel .....	29
Petroleum refinery .....	6
Nitrogen fertilizers .....	8
	<hr/>
	511
<b>Communication &amp; transportation:</b>	
Ports .....	70
Airports .....	4
Railroads .....	74
Merchant marine .....	50
Civil aviation .....	14
Telephone, telegraph, post offices .....	64
	<hr/>
	276
<b>Grand total .....</b>	<b>876</b>
One million escudos = \$34,783	

Industry's figure, it should be noted, was nearly two-thirds of the total; agriculture received only one-tenth of the sum spent for economic development. Thus, although about half of the population depends on agriculture for a living, it is readily apparent that the major economic emphasis in Portugal today is not in this field.

This is not to say that national policy completely neglects agriculture. Wheat and many other basic commodities continue to be highly protected. Portugal not only wishes to increase production but also to lower production costs. New dams in central Portugal provide both low-cost electricity and irrigation. Reclamation projects along the north-central Atlantic have

restored saline soils to fertility. Plans are also under way for a major hydraulic project southeast of Lisbon, which will irrigate 300,000 acres.

This year, for the first time, extension services to agriculture will be adequately financed and greatly expanded. Four cattle-breeding stations are now using American and Dutch stock to improve herds. Commercial fertilizers are being sold at subsidized prices to encourage their greater use among low-income farmers.

Yet it is clearly evident that Portugal's policy of self-sufficiency within the escudo system implies increasing dependence upon the overseas provinces for raw materials and complementary agricultural products, and also as a market. At the same time, domestic agriculture is being played down in favor of light and heavy industry, services, and the manufacture of consumer goods. Portuguese authorities strongly hope that the present system of import license procedures and exchange controls, as well as tariffs, will effectively prevent imports from damaging these new industries. And concurrently, exports of such traditional items as sardines, wines, and cork are stressed in order to push even higher Portugal's remarkable dollar, gold, and foreign exchange reserves of nearly \$700 million.

Advantageous as an escudo trading area is to Portugal and its provinces, Angola and Mozambique in particular are heavily dependent on non-Portuguese, European markets. In 1956, for example, the OEEC nations bought one-third of Mozambique's exports and one-half of Angola's. With the growth of the Western European economies, the demand for raw materials and tropical products will become even greater. In comparison, Metropolitan Portugal, with its 8.9 million people, is a small market, probably destined to become relatively less important each year as production in the overseas provinces increases.

### Portugal's Dilemma

Portugal's economic planners now find themselves on the horns of a dilemma. Committed to a policy of development of the overseas provinces, they realize that economic expansion in Angola and Mozambique means

decreased dependence on Portugal and a greater need for participation in the OEEC market, including the Common Market Six. Businessmen in the provinces are well aware that the gradual elimination of import duties among the Common Market group will place Belgian and French colonial African producers at a relative advantage in exploiting the Common Market.

Metropolitan Portugal's commerce is expected to suffer as well, unless success crowns current efforts to establish the proposed Free Trade Area, and Portugal joins it. The major part of Portugal's exports is sold to the Common Market and to nations likely to comprise the possible Free Trade Area. No responsible public official has yet stated that Portugal could "go it alone."

Joining the Free Trade Area on the same terms as other European countries, however, would necessitate almost complete abandonment of the policy of industrial expansion. Portugal has virtually no industry, skills, or special resources with which it could meet unaided the competition of the highly industrialized countries of Western Europe. Most of the consumer goods industries are small-scale, high-cost operations, depending for their existence on protective import regulations and a captive market. Only a few textile mills and shipyards, together with the handicraft industries, could weather a rising blast of full-scale, intra-European competition.

Portugal therefore lines up with the other less industrialized countries in seeking special treatment within the Free Trade Area to safeguard their industrial development. It also favors the generally accepted idea of arrangements for including agriculture in the Free Trade Area—arrangements involving not free but some sort of managed trade in important European-grown farm products.

A free trade area thus designed would permit a very gradual adjustment of the Portuguese economy to the rigors of integration with Western Europe. Influential political figures have already stressed the need for a reexamination of development policies in the light of recently changing events. In a world steadily becoming smaller, self-sufficiency is a concept Portugal can scarcely afford.

# Money Matters In the Sterling Area

Second in a series of articles on the financial status of foreign countries.

By Dale K. Vining  
International Monetary Branch  
Foreign Agricultural Service

The Sterling Area is the largest trading group in the world. And as might be expected, it is also one of the biggest buyers of U.S. farm products. Countries of the area imported almost \$1 billion worth in the fiscal year 1957, for example. Of that, the United Kingdom, banker and commercial center of the group, took \$490 million worth. The United Kingdom has consistently been one of the largest dollar markets for our agricultural exports.

## Financial Problems

For the Sterling Area, 1957 held more than the usual strain on finances. Main financial problems of the year were:

- To maintain confidence at home and abroad in the pound sterling.
- To assist in the financing of the economic development programs of the underdeveloped sterling countries.
- To adjust to the decline of foreign exchange earnings that resulted from lower prices of some of the

Sterling Area's export products, such as rubber, tin, and copper.

In the first 9 months of 1957, the Sterling Area's combined gold and dollar assets (official and private) declined \$298 million. This decline came largely from speculation against the pound sterling in the third quarter of 1957. To maintain the exchange rate of the pound during this period, the Bank of England was required to buy sterling with gold or dollars. As for the other Sterling Area countries, some had a payments surplus; others a payments deficit. Thus, in these countries the net result was an overall decline of their gold, dollars, and sterling holdings—a decline that would have been greater had it not been for India's drawing \$200 million from the International Monetary Fund (IMF).

## WHAT THE STERLING AREA IS

The Sterling Area is made up of the British Commonwealth—except Canada, which is a part of the dollar area—and certain other countries that have close commercial and financial ties with the United Kingdom.

These are the countries of the area: United Kingdom, U.K. dependencies and protectorates, Australia, Burma, Ceylon, Federation of Malaya, Ghana, Iceland, India, Iraq, Ireland, Jordan, Libya, New Zealand, Pakistan, Rhodesia-Nyasaland, Union of South Africa.

Principal features of the arrangement are:

1. Trade and payments are concluded in a common currency, i.e., sterling.
2. Sterling may be freely transferred among member countries.
3. Most earnings of dollars and of any other nonsterling currencies are deposited in a common pool. Foreign exchange requirements of member countries are supplied from this pool.
4. International monetary reserves of overseas sterling countries are held largely in sterling.

## HOW THE STERLING AREA EARNS AND SPENDS DOLLARS WITH THE UNITED STATES

	1953	1954	1955	1956
Dollar payments:	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.
Merchandise .....	1,614	1,740	2,144	2,348
Services & related transactions .....	953	1,064	1,178	1,182
Investments in the U.S. ....	56	135	102	180
Total payments .....	2,623	2,939	3,424	3,710
Dollar receipts:	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.
Merchandise .....	1,708	1,526	1,800	2,000
Services & related transactions .....	809	850	933	1,004
Private capital (net) .....	45	217	61	452
Government spending & lending .....	710	581	767	861
Total receipts .....	3,272	3,174	3,561	4,317

Note: Excludes errors, omissions, transfers of 3rd areas, and U.S. military aid under a grant basis.

Survey of Current Business.

<sup>1</sup> Official and private.

Federal Reserve Bulletin.



OIL is piped into tankers in Kuwait.



Photos from British Information Service  
TEA pickers are at work in Ceylon.

### Trade with U.S.

The Sterling Area's exports of goods and services to the United States have increased steadily since the end of the war. In 1956 total dollar receipts reached a high of \$4.3 billion. About two-thirds was earned by exporting goods and services to the United States. The rest came from receipts of U.S. private capital, U.S. Government grants (mainly to India) and loans, and U.S. military expenditures in the sterling countries.

The overseas sterling countries and the dependent overseas territories account for most of the dollars that are earned by exporting goods to the United States. Their dollar earners are tin and rubber—from Malaya; jute, burlap, and tea—from India; raw wool—from Australia and New Zealand; tea—from Ceylon; cocoa—from Ghana; diamonds—from the Union of South Africa; copper—from Rhodesia; and coffee and spices—from some U.K. dependent overseas territories.

The United Kingdom's dollar earnings stem largely from the export of manufactures, such as cars, aircraft and spare parts, woolen goods, spirits, and from services and related transactions, the so-called invisibles. The main sources of invisible receipts are ocean shipping, returns from the in-

vestments of British subjects in U.S. industries, and tourism.

### Country Highlights

*United Kingdom.* In the closing months of 1956 under the impact of the Suez crisis, the United Kingdom suffered large dollar losses. To bolster its exchange reserves, it drew \$561.5 million from the International Monetary Fund and arranged for a standby of \$738.5 million. This standby is still in effect, but the United Kingdom has not as yet drawn on it. Also on a standby basis the United Kingdom obtained an Export-Import Bank credit of \$500 million, against U.S. securities as collateral.

As a result of these arrangements and of its internal fiscal and monetary measures, the United Kingdom improved its financial position in the first half of 1957, and increased its gold and dollar assets.

But in the third quarter of that year, its position changed. Again, it suffered large gold and dollar losses. They were the result of widespread speculation, arising from the expectation that the pound sterling would be devalued and the German deutschemark revalued. To check these losses, the United Kingdom raised the bank discount rate from 5 to 7 percent in September 1957 and took other correc-

Pictured on these pages are the five big money earners of the Sterling Area—oil, wool, rubber, tea, and jute (in order of importance). It is interesting to note that four of the five are agricultural commodities.

tive measures. Then, in October, it drew half of its Export-Import Bank credit—\$250 million—to bolster its gold and dollar assets.

The pound sterling strengthened considerably. The official sterling rate rose from a low of \$2.78 in August to almost \$2.81 in December. The outflow of speculative capital was checked, and in the last 2 months of 1957 some of this capital began to flow back to the United Kingdom.

As a further aid to rebuilding its gold and dollar assets, the United Kingdom, consistent with the Anglo-American financial agreement, as amended, and agreements with Canada, postponed its North American loan principal payments of \$175 million.

Thus, in the last quarter of 1957 the United Kingdom increased its official gold and dollar assets by well over \$400 million. Again, in January 1958, it increased them by as much as \$131 million. Seasonally, in the first half of a year, trade normally swings in favor of the Sterling Area. In January, this swing was strong.

The January increase is the largest monthly increase since early 1954. Furthermore, it was accomplished without the aid of extraordinary receipts, such as loans.

Also, in January the United Kingdom had a surplus in the European



Australian News and Information Service  
WOOL is studied for quality, Australia.



Elton G. Nelson  
JUTE is weighed by Indian buyer.



British Information Service  
RUBBER latex "cheese" is cut, Malaya.

Payments Union (EPU) of over \$29 million, which will add \$22 million to U.K. reserves in February, and give the country \$7 million in credits.

*Overseas Sterling Countries.* The economic position of the Union of South Africa, the world's largest gold producer, was generally good in 1957. Gold production totaled nearly \$600 million that year, but the country's official gold and foreign exchange holdings declined by \$72 million in the first 10 months. This drop is in part seasonal and the result of a capital outflow. The Union is normally a net receiver of capital.

Australia achieved a sizable payments surplus in 1956-57, thanks largely to increased wool receipts and reduced import expenditures. But drought late in 1957 and lower wool prices may reduce foreign exchange earnings of two of Australia's main export items—wool and wheat.

New Zealand's balance of payments situation worsened during 1957, particularly in the last half of the year. Lower export prices and smaller export volume cut exchange earnings. At the same time, import expenditures continued to increase, and the difference between import payments and export receipts was made up by drawing on exchange reserves. Official reserves declined by \$127 million—50

percent—in the last half of 1957.

The Federation of Malaya, the newest self-governing member of the British Commonwealth, continued to be one of the top dollar earners for the Sterling Area in 1957. However, both lower prices and smaller export volume of rubber and tin have reduced its foreign exchange earnings. Rubber prices dropped 20 percent and tin prices 10 percent during the course of 1957.

Iraq's petroleum production and exports dropped precipitously in that year, owing to the closure of the Suez Canal and overland pipelines. Thus, in the first 9 months of 1957, Iraq's official foreign exchange holdings declined almost 25 percent. Now, however, petroleum production and exports are approaching pre-Suez levels, and should alleviate the country's payments difficulties.

India, Pakistan, Ceylon, and Burma are all having financial difficulties in varying degrees. These are in part due to the large import expenditures for their economic development programs. Pakistan's and Burma's trade imbalances were accentuated in 1957 by reduced export earnings. For the most part, each of the four countries spent more than it earned, so all of them drew on their sterling reserves to meet the excess spending. During 1957, for example, India drew over

\$600 million from its official foreign exchange holdings.

In these countries, where dollars are scarce, large quantities of U.S. agricultural products have been imported under special U.S. export programs. In 1956-57, for example, shipments to the four countries under Public Law 480 totaled \$242 million—three-fourths of all our farm products they imported that year.

#### Outlook for 1958

The size of our commercial exports of farm products to the Sterling Area will depend this year, as in the past, largely of course on the financial position of the United Kingdom and other sterling countries.

On the bright side is the improved balance of payments situation of the United Kingdom. That situation may further improve as a result of lower import prices for raw materials and

(Continued on page 18)



1958 officers chosen by FAO's Consultative Subcommittee on the Economic Aspects of Rice: Chairman, Gwynn Garnett, U.S. (center); first and second vice-chairmen, Luang Thavil, Thailand (right), and H.A.J. Hulugalle, Ceylon (left).

## World Rice Group Sees 1958 Trade Drop As Only Temporary

**DEXTER V. RIVENBURGH**, of the Foreign Agricultural Service, has represented the United States at international rice meetings for the last 5 years—including the recent session in Washington, D.C., of FAO's Consultative Subcommittee on the Economic Aspects of Rice. In the following article he tells of the conclusions reached at that session and traces the history of international cooperation on rice problems.

ALTHOUGH WORLD ACREAGES of rice rose in 1957-58, total production was lower than for the preceding years. Therefore, it is unlikely that world trade in rice can be kept at the high levels of 1956 and 1957.

This was the conclusion reached by the delegates from some 32 countries who met in Washington, February 17-25, for the second session of the FAO Consultative Subcommittee on the Economic Aspects of Rice.

The delegates agreed, however, that the present outlook for decreased export supplies compared with those of the two previous years represents an abnormal, short-term situation. Subsequent years are likely to witness increased production and increased demand based on population growth and improvements in national income.

Unfavorable weather conditions and the fact that, at the beginning of 1958, there were no appreciable surplus stocks to partially offset the short-term

fluctuation were given as causes for this year's short supplies. As for trade, foreign exchange levels in some importing countries may cause shifts in buying patterns. At the same time, some exporting countries operating under high production cost policies may, during this period of tightening supplies, be unable to market all of their rice.

In appraising the world rice situation for 1958, the Subcommittee also pointed out the following—

That reduced supplies will largely be of the lower grades and qualities, with premium grades probably not affected to any degree.

That this shrinkage in the lower range of grades—and with some resulting advance in price levels—may favor the use of alternate cereals by importing countries, to meet food deficits.

That levels of overall demand are likely to remain fairly constant but marketing conditions will not be sim-

ilar to those of 1956 and 1957.

And lastly, that policies adopted by various countries with regard to rice are likely to constitute the key factor in determining the pattern of world trade. Regardless of what import requirements of rice are indicated through purely statistical computation of production, stock levels, population increases, and changes in consumer incomes, decisions of governments will determine the status of the market.

In arriving at these conclusions, the Subcommittee had analyzed many facets of trade. These included studies of the factors affecting grades of rice moving into trade, the adequacy of present statistical material, the effect of consumer preferences and consumer education, relative price movements, and methods of furthering consultations between governments. What is particularly significant is that few, if any, individual agricultural commodities have had so complete a study on the international level.

International consultations on rice date back to the close of World War II. As the result of world shortages of foodstuffs that developed during and immediately following the war, rice was the second commodity to be placed under international allocation and, in 1949, almost the last to be released from such controls. This system of international allocations, initially under the Combined Food Board, became the responsibility of the International Emergency Food Committee, Food and Agriculture Organization, in 1945.

Almost concurrently, another series of semiannual meetings came into existence under the auspices of the United Kingdom. This was known as the Singapore Consultative Committee, and its task was to equate the limited supplies throughout the world, but more particularly in Southeast Asia. This committee had no power to act and the participating governments were not committed by their delegates. In fact, the sessions were more or less open forums for the discussions of production trends.

Finally, in 1949, the countries co-operating with FAO's International Food Committee created the International Rice Commission. Its aim too was to study rice production, for at

(Continued on page 19)

# Japan's Canned Food Industry\*

AT THE END OF WORLD WAR II, Japan's canned goods industry was almost negligible. Today Japan is the world's largest exporter of canned fish and ranks fourth in canned fruits, exceeded only by the United States, Australia, and South Africa.

The intervening years have witnessed modernization of the industry. Plants that were destroyed during the war have been rebuilt and equipped with up-to-date machinery. New varieties of raw products—fruits and vegetables largely—have been developed, better production and handling techniques established. And with these advances, Japanese processors have been able to market more and better-quality food products.

Yearly production figures testify to this rapid expansion. In 1950, Japan turned out 5.5 million cases of canned foods. By 1953, this had increased to 8.25 million cases. Two years later output had more than doubled, and in 1956 it was reported at 24 million.

## Japanese Can-Making

The Japanese canned foods industry began in 1871 with the development of a method for canning sardines in oil. During the period of the Meiji (1871-1921), can-making machinery was imported exclusively from America. But these early types of hand-operated machinery were not suitable for large-scale canned food production. In 1913, the first full line of automatic can machinery—a unit of the inverted bodymaker type manufactured in the United States—was imported. This marked the beginning of mass production and revolutionized the industry.

During the 10 years immediately following 1913, Japan imported 15 lines of can-making machinery of var-

ious types. Purchase and operation of the new equipment altered the industry to such an extent that small-company ownership was soon displaced by large, well-capitalized firms with modern facilities. Canned foods became Japan's third largest export item during the 1930's, exceeded in value only by raw silk and textiles. World War II dealt a heavy blow to all Japanese industry. Upon resumption of Japan's foreign trade at the close of 1945, the can-making industry began its recovery. By 1956, output and export volume had surpassed all prewar records.

Japanese food products now are traditionally marketed in Japanese-manufactured tins, products of the industry's 60 lines of automatic can-making machines. Since 1938 one of the larger Japanese firms has maintained a training school for technicians and mechanics; many trainees, including university and trade school graduates, learn processing techniques here.

## Food-Processing Development

Japanese food processing at the outset was limited almost entirely to fish products. In these early years, little

Japanese workers prepare mandarin oranges for canning (left) and pack pears (below). Japan is world's fourth biggest canned fruit exporter.

attention was given to developing adequate supplies of fruits and vegetables suitable for processing. But about 15 years ago the industry began to recognize this need and since then has improved the raw product through selection of varieties and propagation.

Until recently, few Japanese canned food plants produced in excess of 1,000 cases daily. Today several plants with capacities of from 3,000 to 4,000 cases are in operation. Floating fish canneries, permitting fishing fleet owners to process crabmeat and salmon immediately after the catch has been taken, resumed operations 4 years ago.



Photos courtesy of Okitsu Canning Company



\* Prepared by WILBUR F. BUCK, Fruit and Vegetable Division, Foreign Agricultural Service, and ARTHUR M. ROLLEFSON, Assistant U.S. Agricultural Attaché, Tokyo.

## Canned Fish Products

Canned fish products account for 60 percent of the total output of Japanese canneries. The principal canned fish products are crabmeat, tuna, salmon, sardines, and saury. Products of lesser importance are canned scallops, abalone, baby clams, Hokki clams, and smoked oysters packed in oil. Japanese canned fish products are sold in all parts of the world.

## Vegetables

The principal Japanese vegetables canned for export are asparagus, bamboo sprouts, and French and Japanese mushrooms. Production of asparagus for canning has developed rapidly, with the crop now grown in all parts of Japan. Bamboo sprouts for canning are grown in the middle and western sections of Japan. The demand is for the smaller-sized shoots. From time to time, larger sprouts are processed and shipped abroad, where they are later diced and repacked. Canned mushrooms, largely an export item, are marketed in button and sliced packs.

## Mandarin Oranges

Canned mandarin oranges are by far the most important of the fruit items packed in Japan, with output and value greater than that of all other fruit products combined. The mandarin orange, or tangerine, readily lends itself to processing and is already well established throughout the world as a Japanese food specialty. With an abundant supply, the Japanese industry believes that exports will eventually reach 10 million cases.

Machinery developed for processing mandarin oranges removes the thick skin together with the membrane covering the inner sections. The sections are then graded and packed. More than 230 processing plants are currently devoting their entire capacities to packing mandarin oranges. Japan's export target for mandarin orange exports during 1957 was 3 million cases. Two-thirds of the exports were earmarked for the United Kingdom, a half-million cases for the United States.

## Deciduous Fruits

In addition to mandarin oranges, Japanese processors can peaches, pears,

and cherries. The white peach is used almost exclusively by Japanese canners. Though the flavor appears to be satisfactory, the flesh of the white peach lacks the firmness of the yellow peach. Consequently the Ministry of Agriculture and Forestry is experimenting with the culture of yellow peaches for canning in order to develop a firmer-fleshed product. The Japanese industry believes it soon will be able to export a million cases of peaches annually.

Production of fresh peaches amounted to 125,000 short tons in Japan during 1956, rising to 146,000 tons in 1957. About 14 percent of the entire peach crop was canned in 1956. Areas planted to peaches are continually being enlarged. In 1955, the total peach acreage amounted to 25,200 acres—about 78 percent of this bearing. In 1956, the estimate for peach acreage was 34,600 acres, with 76 percent of the total classed as bearing. Total acreage for 1957 is estimated to be 40,200.

Japan's canned peach exports are increasing. In 1956, they totaled 59,544 cases; in the first 10 months of 1957, they had risen to 76,281 cases. Europe, the Middle East, and Africa bought most of them. The average price per dozen 24/2½'s, f.o.b. Japan, during 1956 was \$3.41; for the first 10 months of 1957, the average price amounted to \$3.43 per dozen.

Only 1 percent of the entire Japanese production of pears is canned, and no changes are foreseen for the immediate future in the production pattern. During 1956, 177,000 short tons of pears were produced; preliminary estimates place 1957 production at about 5 percent more. The area in pear orchards has grown steadily, increasing to 38,500 acres in 1957, or about 12 percent larger than the previous year. More than 80 percent of the trees are in production. In 1956, exports totaled 17,755 cases, with Ireland purchasing 46 percent. Prices, f.o.b. Japan, averaged \$3.38 per dozen 24/2½'s during calendar 1956, and \$3.37 for the first 10 months of 1957.

Although some 20 percent of the Japanese cherry production is canned, exports are on a very small scale. Acreage is small—2,170 acres for 1957—and exports for the first 10 months

of the same year amounted to less than 1,400 cases. Most of these went to nearby Asian destinations.

## Trade Development

Manufacturers and exporters of Japanese canned foods have formed a number of trade associations, such as the Canners Association of Japan, the Japan Canned Salmon and Trout Exporters Association, and the Tuna Packers Association of Japan. Highly specialized processing groups, such as the manufacturers of canned mandarin oranges, have also formed their own trade organizations. Moreover, every branch of Japan's canned food industry possesses its system of technical research, and their findings are communicated promptly to the trade.

Meanwhile, the Japanese Government pursues other policies designed to develop the canning industry. An example is the Japanese Agriculture and Forestry Standards Act (J.A.S.). Basic purposes of the act are to regulate and standardize the quality of Japanese canned food items. Though inspection of canned goods sold in the domestic market is not compulsory, they must otherwise conform to J.A.S. specifications.

A separate set of provisions governs canned food items entering the export trade. These are detailed in the regulations known as Japanese Export Standards, or J.E.S. A principal requirement of all canned foods destined for export is that they be inspected. J.E.S. further requires that all canned foods approved for export bear a code marking, either embossed or indelibly printed on the can, indicating contents, date of manufacture, nature of materials added, and the name and address of the manufacturer. Minimum net weights are also a required part of the markings.

In the haste to develop export markets for Japanese canned foods, Japanese processors appear to have neglected their domestic market. Opportunities for improving the standards of canned foods sold in this market still exist. Domestic consumption of canned foods in Japan, far below the per capita use found in such areas as America and Western Europe, is destined to rise proportionately with the increase in living standards.



Courtesy of Indonesian Embassy

Pepper, from Asia, grows in Americas—in Brazil (center), Puerto Rico (right). Spikes and berries (above).



Klare Markley



## Pepper in the Americas

Pepper is one of the oldest spices known to man. Indigenous to the East Indies, it has always been cultivated there. Now the question is—can pepper be grown profitably in the Western Hemisphere?

By WILLIAM F. DOBBINS  
Import Division  
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TWO DOLLARS and sixty-five cents for a pound of pepper? When pepper soared to this peak in 1950, one might have asked if history were repeating itself, for in times past pepper has been valuable enough to be used as money. Alaric the Goth demanded 3,000 pounds of pepper as part of the ransom for Rome. Bequests of wealth in the form of pepper were not uncommon, peppercorn rents not unusual. And the exorbitant price of pepper during the Middle Ages was one of the things that drove the Portuguese to seek a sea route to the East Indies. Yet in 1939 pepper sold wholesale for as low as 4 cents a pound, and today the average price is only about 27 cents.

The history of pepper has been characterized by these wide and violent price fluctuations. Though the world's most important spice, the supply of pepper has been a highly unstable one. High prices always stimulate new

plantings, which later lead to over-production and low prices. Plantings are then neglected or abandoned, thereby causing shortages and high prices again—and the start of a new cycle.

Most of the pepper entering world trade channels is produced in Indonesia, Sarawak, and India. During World War II, the Japanese occupied Indonesia and Sarawak, destroyed the pepper vines, and replaced them with food crops. Those gardens not destroyed were neglected, since there was no outlet for the commodity. By the end of the war, destruction and disease had almost eradicated the pepper industry from these important producing areas. India, on the other hand, became a very large producer during these years and virtually monopolized the industry until recently.

By the time the war was over, pepper supplies in the United States and other importing countries had dwindled to a low level. Fortunately, the

United States had stockpiled a large reserve prior to its entry into the war. Despite the practical cessation of imports, serious shortages were delayed until the postwar years. Imports were resumed but not in sufficient volume to keep up with demand. With inadequate world supplies, prices began to rise and a new cycle was begun.

### USDA Pepper Research

At this point, agriculturalists began probing into the problem of growing pepper in the Western Hemisphere. Brazil had already had some success with its cultivation. What about other Latin American countries with tropical climates—might not pepper be a profitable crop for them?

This led scientists from the U.S. Department of Agriculture to explore the possibilities of establishing the pepper vine in Puerto Rico. The introduction of Asian varieties was difficult since seed-grown stock did not produce true to type and cuttings failed to withstand the hazards of ocean shipping. However, by applying newer methods than those used in the Far East, USDA technicians produced enough plants for field trials in Puerto Rico.

Experiments are still going on at the island's experiment station in Mayagüez. What the scientists are trying to determine is whether com-

mercial pepper production is feasible. It is known now that pepper will grow and produce fruit in Puerto Rico, but cost of production, yield, disease resistance, and other factors have not yet been determined. It may be several years before any definite conclusions can be reached.

#### **Pepper in Brazil**

So far the only real success in the growing of pepper in the Americas has been in Brazil's Amazon Valley. In 1956, the United States imported 110,000 pounds of Brazilian pepper, and 492,000 pounds during the first 10 months of 1957.

While commercial production did not start in Brazil until 1948, the first plants were brought there from India about 25 years ago. They were planted on land granted the Nippon Plantation Company. In 1942, when Brazil entered the war against Japan, this Japanese-controlled plantation was taken over by the State Government of Pará. But even though the Japanese immigrants were interned, they continued to maintain their plantings.

After the war, Brazil's pepper industry boomed. Domestic prices were high and there was a sure local market for at least 2 million pounds. The Japanese-Brazilian growers grew prosperous. Today the picture is nowhere near as bright. Pepper prices have dropped again.

Pepper is well suited to the Amazon Valley. Although most of it is grown in Pará, there is some production in the States of Paraíba, Espírito Santo, and Ceará. The vines are grown on well-fertilized and well-drained soil that can be readily irrigated in order to protect the shallow-rooting plants from extreme heat. They commence bearing in 2 years, with full production in 3 or 4 years.

During 1957, Brazil's production reached about 4 million pounds. Some 95 percent of this was black pepper, the remainder white pepper. Actually, both black and white pepper are products of the same plant. If black pepper is desired the harvesting is done as the fruit turns red. Spread on mats to dry, the berries become shriveled and black. If white pepper is to be the end product the fruit is harvested at a later stage of maturity, soaked in water to

# **New Statistical Light On The World's Farm Output**

How is agricultural output distributed over broad areas of the world? How does it compare, in each area, with the number of people living there? How do food and nonfood products rank in the world's total agricultural output? How much of that output enters world trade?

To measure total production of all the many farm commodities in the world requires a satisfactory common denominator. In the comparisons that follow, the denominator used is the dollar. The quantities of each commodity were multiplied (weighted) by their relative prices, and the resulting dollar values were totaled up to give the value of the world's farm output.

Here is the picture that emerged for 1955-56:

The *United States* produces about 17 percent of the world's agricultural output, but has only about 6 percent of the world's population. The value of per capita consumption is considerably higher than in many other countries. But the gap between the U.S. share of production and of population also shows that the country is a net exporter.

On the other hand, the *Far East* and *Mainland China* together have an agricultural output share of only 32 percent, but a population share of 52 percent. This relationship illustrates not so much the net import position of the area as the much lower value of per capita consumption.

*Western Europe*, with a production

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loosen the outer skins, then sun-dried. In past years, white pepper has sold at a premium over black, but with the current declining prices the margin between the two has narrowed. Most of the pepper now being produced in Brazil—and elsewhere—is black.

#### **Outlook**

While a start has been made toward establishing the pepper industry in the Americas, it is still too early to

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ratio of 15 percent and a population ratio of 11 percent, nevertheless is a net importer because of the high quality—and hence the high unit value—of its consumption.

*Eastern Europe* and the *Soviet Union*, taken together, also have a production share of about 15 percent and a population share of 12 percent. Yet, contrary to the situation in Western Europe, their net imports are small—a statistical expression of their lower per capita consumption standards.

In terms of major farm products, the world's agricultural production breaks down this way—

Wheat and rice, each roughly 10 percent; meat and milk (including the feed that goes into their production), 20 and 15 percent respectively; cotton, 4 percent; wool and tobacco, 2 percent each; natural rubber, 1 percent; coffee and tea, 0.5 percent each.

If the world's farm output is divided into food and feed products on the one hand and nonfood products on the other, nonfood items—including coffee, tea, and other stimulants—account for about an eighth of the total.

Of the food and feed output, less than a tenth enters international trade; of the nonfood output, as much as three-fourths crosses national frontiers.

#### **COMPARISON OF AGRICULTURAL PRODUCTION AND POPULATION, 1955-56**

	Pro- duc- tion Percent of total	Popula- tion Percent of total
United States .....	16.5	6.2
Canada .....	1.8	.6
Australia and		
New Zealand .....	2.6	.4
Latin America .....	8.8	6.8
Far East		
(except China) .....	18.8	29.2
Western Asia .....	2.3	2.8
Africa .....	6.6	8.5
Western Europe .....	14.6	11.0
Subtotal A .....	72.1	65.5
Eastern Europe .....	5.0	4.2
Soviet Union .....	9.7	7.6
Subtotal B .....	14.7	11.8
Mainland China .....	13.2	22.7
Subtotal B plus		
Mainland China .....	27.9	34.5
World total .....	100	100

# South Vietnam Moves to Stabilize Its Farm Economy

By MARGARET M. BEVER  
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NEXT YEAR PROMISES completion of South Vietnam's land redistribution—part of a broad plan to increase agricultural production and improve conditions for tenants. The rest of the plan—to recultivate abandoned land, reduce rent and interest rates, and give the renter a 5-year contract on the farm—is under way. In the years ahead, it is expected to contribute to economic stability and to influence the kind and volume of farm products the country will export and import.

Nearly 2 million acres of rice land will be transferred from large landowners to tenants. And, when the broad program has been completed, 5 million people on 1 million farms will have benefitted from rent reduction and tenure laws, and nearly 2 million acres of abandoned land will have been brought back into production.

The free Vietnamese Government has been struggling to rebuild the country and establish a stable economy since the Geneva Conference of 1954 ended the war in Vietnam and divided the country at the 17th parallel. Under the colonial regime, the half of the country which that division made into South Vietnam was characterized by large landholdings, absentee landlords, and debt-ridden peasants. The government has faced the problem of reset-

tling the thousands of refugees that poured in from the north and of integrating them into the South Vietnamese economy. Now, through its various land adjustment programs, it is moving to increase rice production, which by 1956 was still well below prewar, and to improve tenure conditions.

Of the million tenant units in the country, about 600,000 are in the south—south and west of Saigon. Here, around 80 percent are already covered by contracts regulating tenure and rent. In this area, there is a high percentage of large landowners, and so the land transfer programs will be most important. Here also are 90 percent of the contracts putting abandoned land back into production.

Central Vietnam, where the remaining 400,000 tenants live, is crowded. Little land was ever abandoned there, and large landowners are few. About 50 people own 125 acres and only 5 own more than 250 acres. Landowners are in good bargaining positions, and peasants have little opportunity. Only 34 percent of the tenants are covered by contracts, and few, if any, will get land under the land transfer program. It is in this section that the problems of administration and enforcement of the laws are most difficult.



Courtesy of South Vietnam Embassy

Threshing rice in South Vietnam. Some aids to higher rice output are: Reclaiming abandoned land, helping peasants buy land, making tenancy conditions more secure.

## Land Transfer

The newest program, introduced in 1956, requires relatively large landowners to sell to the government all their rice land except 247 acres. Land planted in other crops is exempt. This includes substantial holdings in rubber and land in sugarcane, tea, coffee, coconuts, fiber crops, and fruit, as well as areas in forests. No drastic change in production is expected as a result of this program, for much of the land involved is now in the hands of tenants; the owners simply collect rent.

When the government buys the land, it will pay 10 percent of the purchase price in cash and the balance in non-negotiable government bonds bearing 3 percent interest per year. These bonds, redeemable over a 12-year period, may be used to repay old tax debts and outstanding agricultural loan debts due the government. Also, they may be used as security for loans for government-approved projects, such as a government-initiated industrial project or a shift of land from rice.

Until formal sale to the government, landowners may sell parcels up to 12 acres to established tenants or to anyone else who is not a relative. Going prices, however, are relatively high; and later, tenants will probably be able to buy

land cheaper from the government.

Tenants and other landless peasants who buy land from the government will be required to pay for it in six equal annual installments. No interest will be charged. They will pay the government the same price the government paid the original owner. Administrative costs of the transfer program are to be financed from funds available to the government. Tenants are given first option. Local landless laborers come next, followed by veterans and war victims.

Administrative machinery for effecting the land transfer has not yet been developed. Progress has been slow because of a shortage of survey equipment and a lack of trained surveyors. However, provisions have been made for establishing a group of commissions to deal with such unsettled matters as land prices and arbitration of claims, and it is hoped that the program can be stepped up to finish the actual transfer by 1959.

Recently, the government announced the schedule of prices to be paid for the land. It is a complex schedule; for the price depends on which of four cropping patterns and which of four categories of yield per acre a piece of land falls into.

#### Tenure and Rent Reduction

Three-fourths of the tenants in South Vietnam will not have enough money to buy land during the land transfer program, however. They must therefore look for benefits from security of tenure and rent reduction.

Under the terms of the laws dealing with these, each tenant and landlord is required to register a contract in the village. The rent must be set between 15 and 25 percent of the principal crop—the percentage depending on the fertility of the land. Rent for draft animals and tools and other equipment cannot exceed 12 percent of their value, and interest on loans to tenants can be no more than 12 percent a year. The contract must last 5 years and be renewable at the tenant's option.

This program will be implemented mainly by having government agents work among the peasants, encouraging

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## Foreign PRODUCTION NEWS

Drought has drastically reduced India's rice crop. In a drive to cut consumption, high level officials—led by the Prime Minister—have had rice removed from the menus of official dinners. Those who insist on eating it must do so privately, in their rooms. Even wedding parties where rice is served must be limited to 100 guests—a small party by Indian standards.

**Denmark** expects a progressive drop in **pork** output over the next year. The number of bred sows has dropped about 3 percent in the last year and bred gilts are down about 34 percent. The reduction will probably not show up immediately because of the large number of young pigs now on hand.

Drought-breaking rains in January benefited all **agricultural production** in Queensland and New South Wales, **Australia**. Follow-up precipitation is needed, but the 1 to 4 inches that fell will provide a substantial boost to autumn and winter planting of grains—particularly corn and sorghums.

The **Netherlands**, faced with an unprecedented and mounting butter surplus, has proposed raising the butterfat content of normally standardized **milk** from 2.5 to 3.5 percent. This would provide consumers with more fat in fluid milk and lessen supplies of cream for butter manufacture.

**Zanzibar**, whose economy depends largely on **cloves**, had an alltime record crop of about 65 million pounds in 1957. The Clove Growers' Association, which buys most production, had to suspend purchases by the end of December after buying more than 52 million pounds. Storage facilities are said to be filled to capacity.

**Communist China's** Agriculture Ministry recently set a tentative production target of 198 million

tons for **grain** in 1958, but hopes to pass the 200 million mark. Even this would be less than the target given a year ago for 1957. The last 2 years have shown that weather still dictates the prosperity of the Chinese economy, which is based on grain production.

**Japan's production** statistics may become more uniform after next January, when the metric system of weights and measures becomes the only officially recognized system. Currently a confusing mixture of Japanese, European, and U.S. systems is used. For example, the koku, a common Japanese measure, generally is equivalent to 5.119 U.S. bushels, but varies from this figure for specific commodities.

#### South American Wool Sent Through Holland to USSR

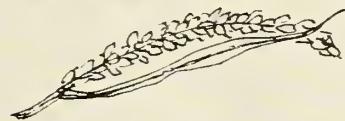
The Soviet Union is becoming increasingly important as a buyer of Uruguayan and Argentine wool. In the first 11 months of 1957 about 11,700 tons went through Netherlands ports to the Soviet Bloc. About 7,800 tons of Uruguay wool shipped through Holland went to the Soviet Union and 1,000 tons to other Iron Curtain countries. During the same period, Argentina shipped 2,000 tons destined for Russia and 500 tons for other countries of the Soviet Bloc.

In 1956, over 11,000 metric tons of wool shipped through the Netherlands were earmarked for Soviet Bloc countries. Of this total 9,400 tons originated in Uruguay. No Argentine wool went to Iron Curtain countries through Holland that year.

It is not clear to what extent the Dutch participate in the trade except as freight forwarders. Since Rotterdam—as a most important European free port—is a logical transshipment point, these shipments could represent direct Soviet purchases.

Russia's wool imports have been fairly irregular. In 1956, over half the total of 48,500 tons imported came from Communist China and Mongolia. The rest was supplied mainly by Uruguay, New Zealand, and the Union of South Africa.

# Foreign Competition In Rice



ONLY A SMALL PART of the total U.S. rice crop competes in international trade as far as commercial sales for dollars are concerned. In 1957, U.S. dollar exports were only 12 percent of the total production. The main reason is because U.S. domestic prices are considerably higher than world price levels. Cuba—the major U.S. market—buys rice largely on a quality basis and without price levels restricting purchases. This is true as well to some extent in scattered areas in the Western Hemisphere and Europe.

In all other markets, U.S. rice suffers the disadvantage of price inequality. Because of this the United States competes only in a limited field of high quality and specially processed or packaged rice commanding a premium over average world prices. This means that in dollar sales the United States is currently able only to compete in approximately the top 7 percent of an annual world market of about 6 million tons. The remainder of world trade moves at prices equivalent to 50 to 65 percent of current U.S. parity.

## Limiting Factors

Although price is the major concern a number of other elements act singly or combine to further restrict opportunities for dollar sales of U.S. rice.

The first of these is the limited availability of foreign exchange held by rice importing countries. World rice trade is based primarily on two currencies—sterling and dollars. The major share moves for sterling. For many countries, sterling financing is difficult, but dollar financing is, at times, impossible. The countries where rice deficits are most keenly felt and which probably need to import more rice are often not able to buy significant amounts for dollars.

The United States cannot at present expect to share proportionately in any improvement in the world rice market. When world demand increases, either because of reduced crops in importing countries or decreased stocks available for export, rice prices tend to rise. When the rise is too abrupt, importing countries rapidly turn to alternate cheaper cereals.

Another factor restricting opportunities for U.S. rice sales is government monopolies. Those in force in exporting countries often establish prices through relatively long-term agreements on a government-to-government basis. Also, controls by importing countries effectively limit and direct the areas where rice can be bought. The latter are generally designed to maximize nondollar purchases.

Finally, existing trade patterns further limit U.S. rice trade. Exporting countries sell their rice through long-term government contracts to countries that will supply them with the raw materials or manufactured goods they need; and importing countries, on the other hand, tend to buy rice from countries which provide the best outlets for their exports.

## Supply and Demand

In recent years world rice output has risen to an alltime high, but even this high level of production would not be sufficient to fill all needs if deficit areas had enough foreign exchange to buy all the rice they need at about present world prices. The lack of foreign exchange leaves un-supplied a potential rice demand resulting from expanding populations and better economic conditions. Overall requirements based on the statistics of supply and demand are not easily translated into effective demands when limited foreign exchange must be used

to buy supplies. The gap between the need for rice and the need to conserve foreign exchange is not likely to be closed in the near future and, in fact, may even widen some in 1958. Deficit countries have these alternatives: (1) To meet as much of the deficit as possible with cheaper cereals; (2) to make barter deals; or (3) to secure supplies under special arrangements at more advantageous terms than exist in the regular commercial market.

## Price Fluctuations

Following World War II the world price of rice rose to a point where consumer resistance almost completely disrupted the usual marketing pattern. As a result burdensome world surpluses were built up during 1953-56. When world prices readjusted themselves, the United States was priced out of the world market because U.S. domestic prices were not tied to world prices and therefore did not drop proportionately.

For the last 5 years rice exporting countries including the United States have maintained varied pricing policies. The purpose of these policies and the periods they were in effect may have differed, but the net result was the same. The market for quality rice, particularly for high cost producing countries, has been reduced.

## The Coming Year

This year—1958—will, from the standpoint of many exporters, be the best of the past decade. Lack of surplus stocks and decreased 1957-58 production in some parts of the world will curtail export supplies below those available in 1954 and prices may tend to rise, particularly for the lower grades and cheaper qualities of rice. It is not likely, though, that world prices will rise enough to affect the volume of dollar sales of rice from the United States. The extent to which U.S. prices do become competitive in limited areas will probably be offset by the continuing dollar shortage in major deficit areas. So, the volume of dollar sales of U.S. rice quite likely will remain at about 1957 levels.

Based on 1957 U.S. production, a reasonable competitive position would

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# Soviet Farm Output May Rise As Collectives Absorb MTS

The long-term battle in the Soviet Union between the "two bosses on the land" is about to end with the collective farm swallowing the machine-tractor station. This means a significant shift in the whole principle of farm management and control—a shift that Soviet leaders hope will end duplication and waste and bring greater efficiency to Soviet farming.

The broad outlines of the new system, as sketched by Communist Party Secretary N.S. Khrushchev, were confirmed by a decree of the Party's Central Committee. Details will be worked out later, and their application will come gradually. The gist of the change, however, is that most farm machinery will become the property of the collective farms. The machine-tractor stations now own most modern machinery, and operate it for the collectives, with payment in farm produce. But in the future these stations will serve mostly as repair depots and as rental centers for larger machines that collectives may not want to buy. For a few years, too, the weaker collectives may continue to get the old type of MTS service.

The machine-tractor station of today, however, is not just a farm-machinery custom-work agency, but a powerful arm for Soviet management and control of collective agriculture, as well as an important source of revenue to the government in terms of agricultural products. Thus the MTS role in the present-day Soviet agricultural economy can hardly be exaggerated.

Yet, despite the formal requirement of an annual contract, MTS and the collectives often did not see eye to eye on where, how, and when the tractors and other implements could be used to the greatest advantage. Under the MTS system of payment and work planning, some operations, such as plowing, bring more profit to the MTS than others equally or even more useful to the collectives. Hence, the MTS frequently concentrates on these "profitable" operations to the disad-

vantage of the collectives it serves—and sometimes even to the detriment of crop yields.

A new situation has arisen in recent years between machine-tractor stations and collectives. After the wholesale merger campaign that began in 1950, the number of collectives was drastically reduced and their size increased. There were less than 80,000 collectives by mid-1957, compared with more than 250,000 at the beginning of 1950. But there were more stations at the end of 1956 than at the end of 1950—8,742 and 8,414 respectively. Thus, the number of collectives served by each MTS has decreased considerably—for some, to a single farm.

As managers of the enlarged collectives only trusted party people were as a rule selected. In general, therefore, party control and direction of collective agriculture has been tightened. Thus the control function of the MTS has become less urgent.

The Soviet farm bureaucracy has apparently been dissatisfied with the overlapping, waste, and inefficiency resulting from the existence of "two bosses on the land"—a term used by Khrushchev. To remedy this, in a number of cases where an MTS served only one collective, both were put under one management. Other methods were tried to eliminate the duplication. Now Khrushchev has proposed and the Central Committee has decreed a more radical solution—to sell most of the machinery to the collectives and let them operate it themselves. This, incidentally, is a solution that Stalin strenuously opposed, and that still finds some opposition within the Party. The stations will become depots for repairing and selling machinery and spare parts, and custom-work centers for machines that collectives prefer to rent rather than to own.

Among the benefits Khrushchev expects are these: (1) Reduction of administrative expense; (2) more economical distribution of farm machinery, since the machine-tractor stations accept whatever implements are allot-

## Sterling Area

(Continued from page 9)

the disinflationary effect of the country's recent fiscal and monetary measures. But the outflow of capital to meet investment needs in the dependencies and overseas sterling countries will make demands on the United Kingdom's payments position.

Prospects for export earnings are favorable also in other sterling countries, notably the Union of South Africa and Iraq.

Several of the sterling countries, however, such as Australia and New Zealand, that have been important consumer markets for U.S. farm products will be confronted with the need to adjust their imports to declining export earnings.

And the low-income sterling countries, such as India and Pakistan, will continue to be faced with serious trade and payment difficulties. Most of these countries are pursuing long-term economic development programs that necessitate large imports of capital goods. And the strong pressure for more consumer goods is an added problem. Their foreign exchange reserves, mostly sterling, are dwindling and, for some of them, are very low. Thus, these countries will continue to depend on special U.S. export programs, such as P.L. 480 sales for local currency, to finance their increasing needs for food imports.

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ted to them, needed or not, whereas the collectives presumably will only buy the machinery they need; and (3) better utilization of the machinery and lower production costs when the collectives will have full authority over it. Details of the new arrangements have not been settled yet. However, the reform will be a gradual and selective one, distinguishing between economically strong collectives that can afford to buy machinery and the weaker ones, for which the existing system must be retained for a few years.

In principle, the new reform should favor farm efficiency. But much will depend not only on the character of the detailed arrangements, but also on how they are carried out.

## Rice Group

(Continued from page 10)

that time not only was there a severe world shortage of rice but the economics of production, processing, and transportation had been greatly disrupted. So successful was the Commission in its technical work that it was partly responsible for the restoration of the rice industry in Southeast Asia. The membership has been worldwide, with some 26 countries now active participants in the technical work.

With international work on the technical aspects of rice well under way by the beginning of 1952, it became obvious that the economic side of rice production and trade could well benefit from the formation of an international group of the same general character. Several governments, led by Ceylon, proposed that FAO convene a meeting for just this purpose. And so one was called for Bangkok, Thailand, in January 1953. The world at that time was still in a period of rice shortages, and much of the work of this first meeting was how to improve world trade.

A second meeting was called by FAO in November 1954 at Rangoon, Burma. By now the economic tide had turned and the shortage of supplies at extremely high prices had been replaced by surpluses and a stagnated market. Consequently, the problem of stabilizing the market was the chief concern of this meeting.

A second meeting in Bangkok in 1955 led to the establishment of a permanent body, which would serve as a forum for international consultations on the economic aspects of rice. Falling under the Commodity Problems Committee of FAO, this new group was called Consultative Subcommittee on the Economic Aspects of Rice.

The first session was held in Rome, in November 1956. At the Bangkok meeting it had been proposed that international commodity agreements, such as the International Wheat Agreement, be studied as a guide to dealing with rice problems. But in Rome it was recognized that rice was not an homogenous commodity, that there were no international quotations on grades and prices, and that a relatively

large portion of world trade in rice either moved under bilateral contracts or was subject to government controls. No existing commodity agreement could be made to fit these conditions, so instead it was decided to make a study of all factors affecting the economics of rice production and trade.

It was the second session of this group that met in Washington late in February. Some 32 countries were represented, either by delegates or observers—Australia, Belgium, Brazil, Burma, Canada, Ceylon, Colombia, Cuba, Denmark, the Dominican Republic, France, Germany, Greece, Honduras, India, Indonesia, Italy, Japan, Korea, the Netherlands, Nicaragua, Pakistan, the Philippines, Poland, Spain, Thailand, Turkey, the United Kingdom, the United States, Vietnam, and Yugoslavia.

## South Vietnam Economy

(Continued from page 16)

them to sign contracts, and settle disputes when they arise. Here, as in the land transfer program, village and district committees are to administer the program and report abandoned land. By the end of August 1957, about 480,000 contracts had been signed.

## Abandoned Land

The ordinance governing the recultivation of abandoned land provides that landlords must declare their intention to lease the land, cultivate it themselves, or be considered absent. When the landlord is considered absent, the abandoned land can be leased by a communal council to tenants who will pay no rent the first year and pay a reduced rent the next 2 years. The rent collected is held in the account of the absent owner. Landowners who lease the land at a rate lower than the 15 to 25 percent level do not have to pay land taxes.

This phase of the program has been most successful. About 828,000 acres of land have been brought back into cultivation, adding 434,000 metric tons of rice to the food supply (assuming an average yield of 1,100 pounds of rice per acre). There are still 988,000 acres of abandoned rice land south and west of Saigon. Here, problems of irrigation are such that individual cultivation must await the completion of current land development projects.

## Pepper in Americas

(Continued from page 14)

say what the *long-term* outlook will be. But the *immediate* outlook is not encouraging. Currently, there are ample supplies available in the Far Eastern pepper-growing countries, and prices are low. To establish a new crop takes time and money; and whether a pepper crop can be made to pay in face of higher labor costs in the Americas is somewhat dubious. Certainly, few Latin American farmers would be willing to gamble on pepper when they can make more money from cacao and coffee.

Yet there is much to be said for the production of a small but stable pepper crop in the Western Hemisphere. Let there be another crisis in the Far East and pepper supplies would be cut off again. Pepper is not essential to one's well-being, but few cooks would be without it. Certainly Americans would be the first to complain. Latin American foods are spiced with pepper. And while the United States has a less highly seasoned palate, this country, with its larger population, imports more pepper than any other country in the world and each year accounts for 15,000 tons of the 65,000-ton world consumption.

## Foreign Competition

(Continued from page 17)

be the opportunity to export for dollars about 40 percent of the total harvest. But 12 percent exported last year illustrates the spread by which the U.S. product is priced out of the world market.

## Long-Term Trends

For the next 5 to 10 years world rice needs will continue to go up if for no other reason than because there will be more people. Again this does not necessarily mean that U.S. dollar sales could be substantially increased at present price levels. Also, if world prices rise substantially, total world trade will probably not expand in line with world needs. A rise in world prices in 1958, however, probably would not result in a reduction of U.S. trade compared to 1957, as demands for premium quality would be likely to remain quite constant.

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GOVERNMENT PRINTING OFFICE  
DIVISION OF PUBLIC DOCUMENTS  
WASHINGTON 25, D. C.

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### Brazil Continues Pact With Poles and Czechs

Brazil is again extending its trade agreements with Poland and Czechoslovakia, although it gave notice of termination 2 years ago. The agreement with Czechoslovakia was signed in 1950, and the one with Poland went into effect in 1954. The latest extension will carry both agreements through June 1958.

### New Zealand Tightens Import License Controls

New Zealand's greater liberalization of import licensing controls has been halted as a result of balance of payments difficulties. Many of the farm products in which the United States has an interest are affected, including unmanufactured tobacco, raw cotton, dried prunes, linseed and soybean oils,

hog casings, gums and resins, timber, and turpentine. The new Labor Government abolished the import classification which allowed these commodities to be imported without a license regardless of currency source. Licenses will probably be granted only when alternative sources of supply are not available or when the dollar goods are of particularly high quality.

The new system is similar to past programs of operation except that all commodities must now be licensed and restrictions are more severe.

### Britain Again Ups Imports Of U.S. Farm Products

United Kingdom imports of U.S. farm products increased (in dollar equivalent) about \$90 million in 1957, to reach a total of nearly \$600 million. The U.S. share in Britain's total agricultural imports also rose—from 9 per-

cent in 1956 to 10 percent in 1957.

Five products or product groups made up 85 percent of Britain's agricultural imports from the United States. Cotton imports rose from the low level of \$88 million in 1956 to \$175 million in 1957, and accounted for most of the total increase. Tobacco imports were up about \$15 million and oilseeds nearly \$7 million, but these increases were almost completely offset by fruit and vegetable imports—down nearly \$14 million—and grains, which dropped about \$6 million.

### Greece and Vietnam Negotiate Trade Pact

Greece and Vietnam have made provisional arrangements to accord most-favored-nation treatment to each other in customs duties and other import charges. The arrangement will be effective until a formal commercial convention is concluded.

Vietnam's primary shipments to Greece include coffee, tea, rice, cereals, spices, lumber, rubber, and rubber products. In return, Greece sends Vietnam raw skins, cotton, cotton fabrics and yarns, and manufactured products.